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ABSTRACT

A modified Extended Opportunity Programs and Services (EOPS) allocation formula has been recommended for implementation in the California community colleges by the end of 1982-83. The modified formula has been designed to shift funding policy toward performance outputs as distinct from inputs. The current formula is based upon four weighted elements: known needs (33%), potential campus and community needs (27%), actual number of students served (10%), and staff review of proposals and programs (30%). A total of 90% of the funding determined by this formula is based on input elements. The need for change is demonstrated by the facts that: (1) the formula is not understood by most EOPS directors, (2) the formula is inherently unstable, (3) minority enrollment elements may discriminate against white EOPS students, (4) separate funding of potential need as currently defined in the formula distorts allocations, and (5) the current emphasis on cost effectiveness requires that an allocation formula stress performance rather than input factors. The three main elements of the proposed formula are: the number of students eligible (60%), the number served (30%), and the district contributions to unmet needs (10%). Each element derives its part of the allocation on the basis of the work actually performed by the college in identifying and serving needy students. (JP)

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MODIFICATIONS TO THE EOPS ALLOCATION FORMULA

Agenda Item 3

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Prepared for the Meeting of the Board of Governors of the California Community Colleges held January 25, 1980 in Los Angeles, California.

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Board of Governors of the
California Community Colleges
January 25, 1980

Item 3

Title: Modifications to the EOPS Allocation Formula

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Summary

This item presents for Board consideration and discussion proposed revisions to the EOPS Allocation Formula. The item, which is anticipated to be acted upon in February, details specific policy implications arising from the proposed changes and contrasts them with the policy implications supported by the present formula. Essentially, the proposed formula shifts funding policy towards performance outputs as distinct from inputs; balances funding between support for access and retention objectives; and provides more equitable adjustments between large and small colleges.

Background

THE CURRENT FORMULA

EOPS allocations for 1979-80 were based upon the formula displayed in Table 1. The formula contains 11 elements, 9 of which are defined as *need* (carrying 70% of the allocation weight), with the remaining 2 elements (carrying 30% of the allocation weight) divided between *proposal review* (5%) and *program evaluation* (25%). Budget control language restricted the allocation of the 1979-80 appropriation augmentation to the *need* elements only and the effect was to slightly alter the weights as shown in the adjusted weight column in Table 1. The elements in the 1979-80 formula are the same as for the previous year except for one, i.e., the number of students served replaced the old *unmet need*. With that exception the formula elements have remained unchanged for the past several years.

TABLE 1

1979-80 EOPS ALLOCATION FORMULA

		Formula Weight	*Adjusted Weight
A.	Need: (70% as below)		
1.	# students documented by Financial Aid Office	25%	26.65%
2.	# students documented by EOPS Office	10%	10.66%
3.	% documented by financial aids of college full-time enrollment	8%	8.53%
4.	% documented by EOPS Office of the college full-time enrollment	2%	2.13%
5.	# students served in 1977-78	10%	10.66%
6.	Campus ethnic minority enrollment	2.5%	2.67%
7.	% minority enrollment of college full-time enrollment	2.5%	2.67%
8.	District's K-12 minority enrollment	5%	5.33%
9.	District unemployment rate	5%	5.33%
B.	Staff Review: (30% as below)		
10.	Proposal score	5%	4.23%
11.	Program evaluation	25%	21.14%
		100%	100%

*Adjusted weights were due to the effect of 1979-80 appropriation control language.

To understand the principles which are supported by the current formula, and thereby understand the differences between the current and the proposed formula, it is convenient to rearrange the formula elements in accordance with the funding objectives they imply, as follows:

1.0 *The known number of eligible students* (33% weight)

- 1.1 Absolute need: the number of documented eligibles (25% weight)
- 1.2 Relative need: the percent of the college full-time enrollment that are documented eligibles (8% weight)

2.0 *The potential need* (27% weight)

- 2.1 Campus potential (17% weight)
  - 2.11 Number of estimated eligibles (10% weight); that is, the number documented by the EOPS Office
  - 2.12 Percent the estimated eligibles are of the college full-time enrollment (2% weight)
  - 2.13 The college minority enrollment (2.5% weight)
  - 2.14 The percent that minority enrollments are of the college full-time enrollments (2.5% weight)
- 2.2 Community Potential (10% weight)
  - 2.21 K-12 minority enrollment (5% weight)
  - 2.22 Unemployment rate (5% weight)

3.0 *The actual number served* (10% weight)

4.0 *Staff review* (30% weight)

- 4.1 Proposal score (5% weight)
- 4.2 Program evaluation (25% weight)

Put somewhat more simply, the current formula can be reduced to four element domains:

1.0 *Known need* (33% weight)

2.0 *Potential campus and community need* (27% weight)

3.0 *The actual number of students served* (10% weight)

4.0 *Staff review of proposal and program* (30% weight)

The weight distribution among the four element domains clearly suggests that Board policy emphasized the funding of program inputs as distinct from program outputs; that is, 90% of the funding was dependent on input elements and 10% was based upon the output element. This policy reflected the intent of the enabling legislation which endeavored to increase the community college participation of low income and minority students, both of which groups were underrepresented in community college enrollments. The *potential need* element domain already showed that the Board gave a separate and additional priority to access objectives, that is, to the recruitment of potential EOPS students.

That the Board also gave considerable weight to the elements in the *staff review* domain reflects the recognition which the Board gave to the need for state discretion in assessing the adequacy of program plans (proposal score) and program structure (program evaluation) in meeting EOPS student needs. This recognition was clearly justified because in years past, EOPS programs--which were highly innovative and unprecedented in character--had to be developed by EOPS and college staff who were relatively inexperienced in comparison to their abilities in traditional college programs. Since state staff were the only ones in a position to observe program developments statewide, it made sense to drive part of the formula on the basis of what staff judged to be the best in program operational effectiveness.

THE NEED FOR CHANGE

In recent years, interest in the distributive equity of the formula has intensified. Prior to 1976, sufficient questions had been raised to cause the Department of Finance to review the formula. It did so, found the formula adequate in the light of legislative intent, and recommended no further change for at least three years in order to allow funding to achieve stability. The following year, the California Postsecondary Education Commission also reviewed the formula and independently reached conclusions similar to those of the Department of Finance. But in 1978, the next year, the Legislative Analyst reviewed the formula, found it inadequate, and recommended a major change: that 50% of the weight be assigned to an entirely new element, i.e., the number of students actually served.

In March 1979, Chancellor's staff replied in rebuttal to the Legislative Analyst, citing the Analyst's use of inaccurate data and the massive allocation shifts between programs which would result from implementing the Analyst's recommendations. However, staff did recommend, and the Board adopted, the use of the number of students served as a new element for 1979-80 (although the weight assigned thereto was small). In addition, the Legislature included budget control language in 1978 which effectively did three things:

1. It superceded previous Board action by mandating that the 1979-80 augmentation be allocated on the basis of "need" only, and

2. It further superceded previous Board action by altering the effective weights assigned to each formula element (see Table 1).

3. Finally, it created the Financial Aid Policy Study Group and included within its charge a study of the EOPS allocation formula.

One result of implementing the control language was the reduction in allocations of several campus programs at a time when the statewide appropriation increased by nearly 18%. Since the reductions occurred primarily in smaller colleges, the reaction was sharp and quick -- complaints flowed into the Chancellor's Office and Region 6 formally sent a delegation of directors representing smaller colleges to meet with a member of the Legislature. These events raised two more issues: formula sensitivity to the needs of smaller colleges and the impact of the staff review elements in the formula.

Although the mere questioning of formula elements alone is not enough to justify modification of the EOPS formula -- and indeed is to be expected on a policy matter on which individual college funding is dependent -- staff interprets the persistence of such questioning over several years, and especially the recent legislative intervention, as signals that staff should review the entire matter. Staff in fact undertook to review the formula, beginning by cooperating with the Financial Aid Policy Study Group and attendance at its public meetings by EOPS directors in northern and southern California. Staff then met separately with regional coordinators (who represent all EOPS directors in California) in early September, and followed by conducting formula workshops in October and November with directors throughout the state.

During this time staff discovered the following conditions in regard to the EOPS allocation formula:

1. Most EOPS directors did not understand the formula which drives their program allocations. In fact, many directors did not realize that, in practice, nearly all of their program funding is determined by the need statistics submitted by them as part of the annual proposal instead of by the program proposal which contains their budget request and upon which program planning is based.

2. The formula is so inherently unstable that merely keeping its elements unchanged did not and will not achieve the funding stability desired in 1976 by the Department of Finance. The instability derives from the elements themselves. For example:

    a. Practices in use by financial aid offices to determine the number of documented income eligible students vary widely, with some colleges requiring only completion of BEOG appli-

cations or the Financial Aid Form, while others require numerous additional income verifications, such as 1040 forms, welfare documentation, and separate verification of independent status. Colleges that require more verification count fewer eligibles than colleges that do not, causing allocation distortions and inequity.

b. Practices also vary statewide in determining the cut-off date for counting eligible students. While the Application Manual attempts to be explicit on this point to insure comparability of counts (i.e., count income eligibles who were enrolled up to the first census week), many colleges include students who are income documented any time throughout the Fall term. Clearly, the latter counts will tend to exceed the former counts, again resulting in allocation distortions.

c. The number of eligibles documented by EOPS offices actually amounts to estimates made on the number of additional eligibles on campus who were not documented by financial aid offices. While staff firmly believes in the need to produce estimates of unmet need, a problem of equity arises when such estimates are used to drive actual allocations. The funding is more dependent on the sophistication of EOPS staff in maximizing their estimates than on verifiable indicators of need. The use of estimates which employ nonstandard procedures has resulted from time to time in wide fluctuations in the size of the total eligibility pool, and thus in the distribution of EOPS funds based upon such estimates.

d. Staff scoring on proposals and program evaluations has become increasingly difficult to perform as staff time shortages have combined with enlarged funding and greater college participation. When one half to three-quarters of the community colleges participated in EOPS at funding levels smaller than now, five full-time staff members were capable of achieving closer relationships with the respective programs and thus of more objectively assessing their plans and program structures. Today, funding is considerable, all colleges participate, and staff time has been reduced both by one full-time specialist and by the increase in EOPS related functions (e.g., student affirmative action). The result has been a progressive reduction in staff ability to maintain common standards of review and increasing tendencies towards more arbitrary and subjective scoring. Hence, rapid program growth and greater complexity have induced unstable tendencies in the staff review elements of the formula.

3. Several directors, particularly from smaller colleges, and including minority group directors, complain that the minority enrollment elements discriminate against white EOPS students, do not take

account of minority students who are ineligible, and favor larger urban schools simply because more minority students attend them. These directors favor deleting the minority elements both for these reasons and because EOPS eligibility is first strictly income determined - minority group status does not formally count.

4. Similar arguments are advanced in opposition to the community need elements -- they favor urban schools. There is no direct relation between EOPS funds allocated on these variables and the actual recruitment results obtained from tapping the community potential. There is a strong feeling, shared by staff, that what should count in allocating funds is not how many students might be served, but how many actually are served, both in recruitment and on campus.

To staff, the foregoing findings on the current EOPS allocation formula signal the need for change. In addition, from a broader policy perspective, staff has found that:

1. The separate funding of potential need as currently defined in the formula unduly distorts allocations. Over the years, spending in EOPS programs has steadily shifted from emphasizing access (recruitment) to emphasizing retention (support services and instruction). When this trend is compared to available data on the enrollment of underrepresented low income, minority, and women students, it is clear that while access remains a high priority objective of EOPS, retention is equally if not somewhat more important, and that in any case the justification for separate funding of access objectives is weaker than in years past. The need is to balance more equitably the funding relationships between access and retention objectives. Increased spending in EOPS on retention services, while funding continues to emphasize potential access, distorts college allocations in relation to aggregate need.

2. The fiscal environment in all of California public services is expected to emphasize even more than now efficiency and cost-effectiveness in delivering public services, including of course EOPS services. It is therefore quite clear that the EOPS allocation system must adapt to the need to fund programs more in line with performance and output factors than according to potential and input factors. Thus the need to change the allocation formula to make it more sensitive to variations in program outputs with fiscal incentives geared more to actual program performance.

3. The role of staff review in the allocation system must also be revised for compatibility to the present and future environment. The original case for driving part of the allocations on the bases of staff assessments of program planning (proposal score) and program effectiveness (evaluation score) is weaker now than in the past because both colleges and EOPS campus staff have accumulated

a reservoir of experience and expertise in conducting EOPS programs. This fact, in conjunction with the increasing difficulty encountered in maintaining objective staff reviews, signals the need to delete review elements from the formula and to redesign the functions of staff reviews. Wise use of EOPS fiscal and compliance audits, better program evaluation methods, strengthening of college probation procedures, and greater utilization of staff in consulting roles in support of campus programs signal new directions to pursue in the area of staff review. The impact of such activities on program allocations should focus more on program outputs, instead of inputs as now.

4. New methods must be developed to supplement and economize on recruitment and access funding which encourage the use of economies of scale, such as can be expected from consortial or other cooperative enterprises. Currently, single campus recruitment programs are costly because potential students who are contacted but not recruited constitute a factor in total costs. A recruitment network allows costs to be shared and offers the prospective student greater choices in selecting a postsecondary institution. In addition, attention must be drawn to the need to more adequately fund services to transfer-bound and other college exit-bound students.

5. The allocation system should encourage greater college financial commitment to meeting the unmet needs of EOPS students. Recent trends suggest the opposite - that college commitment has waned somewhat in the face of budget contractions after Proposition 13. The current formula provides no institutional incentives to finance unmet need, and with Title 5 changes adopted which liberalize EOPS funding of personnel, it is critically important to find funding mechanisms which will reverse recent college commitment trends. Such mechanisms should also meet the need of facilitating instead of inhibiting the wise integration of EOPS services into the institutional setting as a whole.

PROPOSED ALLOCATION FORMULA AND DISCUSSION

1. The Proposed Formula

Table 2 displays the EOPS allocation formula proposed for implementation over a four-year phase-in period which would begin in 1980-81. It is important to emphasize that the formula in Table 2 is not intended for implementation next fiscal year, but is intended to display the major elements which would be fully operational by the end of 1982-83. This discussion will focus on the rationale supporting the proposed formula. The next section discusses the proposed schedule for implementing various elements in the formula in order to achieve full implementation in four years.

TABLE 2

PROPOSED EOPS ALLOCATION FORMULA 1982-83

	Need (100%)	Final Weight 1982-83
1.	Number of Documented Eligible Students	25%
2.	Number of Documented Minority Students Eligible	5%
3.	% that documented eligibles are of the college full-time enrollment	25%
4.	% that minority documented eligible are of college full-time enrollment	5%
5.	Number of students served in the previous reported year	15%
6.	% that the number served were of the total documented eligible in the comparable previous year	15%
7.	The district contribution to the unmet need	10%
		100%

Rearrangement of these elements according to the policy objectives they imply results in the following:

1.0 *The number* ***eligible*** (60% weight)

- 1.1 Absolute need - number of documented eligibles (25% weight)
- 1.2 Relative need - % that eligibles are of full-time enrollment (25% weight)
- 1.3 Number of documented minority eligibles (5% weight)
- 1.4 % that minority eligible are of full-time enrollment (5% weight)

2.0 *The number served* (30% weight)

- 2.1 Absolute number served (15% weight)
- 2.2 Relative number served (15% weight)

3.0 *The district contribution to unmet need* (10% weight); that is, the district's financial contribution to meeting the cost difference between a full-funded EOPS program and the amount actually allocated.

Table 3 provides a simplified contrast to the current formula.

TABLE 3

Proposed Formula Element Domains	Weight	Current Formula Element Domains	Weight
1. The Number Eligible	60%	1. The Number Eligible	33%
2. The Number Served	30%	2. The Potential Need	27%
3. District Contribution	10%	3. The Number Served	10%
		4. Staff Review	30%

The contrast shows that adoption of the proposed formula would:

- Fund college allocations on the basis of 100% need
- Fund college allocations on the basis of program performance with greater emphasis on outputs and outcomes
- Fund college allocations on the basis of formula elements which are 100% auditable or otherwise verifiable
- Eliminate unduly subjective elements in funding college allocations
- Eliminate funding based on "possible" need instead of known need, and thus reduce undue guesswork from college allocation.
- Fund colleges which increase local commitment to the financial support of EOPS
- Fund college allocations based upon variations in district size

In the opinion of staff, the proposed formula retains the essential features of the current formula and thus preserves previous Board policies aimed at the most equitable distribution of EOPS funds based upon statewide need. But the proposed formula also adds weight to program performance objectives, which are appropriate for the 1980's.

2. Discussion of Proposed Formula Elements

a. The *Documented Need* Elements (60% Weight)

There are four elements based upon documented need, two of which measure absolute need and two measuring relative need. The absolute need elements alone would tend to benefit larger, urban, and suburban colleges, but the relative need elements, which have equal weight, would adjust for differences in size because these elements are independent of absolute size. In addition, staff have prepared guidelines defining the documentation required for determining *documented need* which will reduce undue variation and inconsistency in statewide eligibility counts.

b. The *Number Served* Elements (30% Weight)

Two elements define the number served, one an absolute count the other a relative measure which adjusts for variations in program size; both elements are weighted equally.

c. *The District Contribution to Unmet Need* (10% Weight)

One element measures district contributions to the unmet need of the college's EOPS students. Staff is currently developing verifiable measures for district contributions to insure comparability of reported data. Current expectation is that this element may not be implemented until 1981-82 to insure enough time to test the district contribution definitions for feasibility and auditability. When workable definitions are achieved, however, this would be an entirely new and highly important element.

Note that each element drives its part of the college allocation on the basis of the work actually performed by the college and the EOPS program in identifying needy students and in serving them. All elements are auditable or otherwise verifiable. Incentives in the proposed formula shift from developing hypothetical levels of need to the actual effort expected in identifying documented need. The formula balances variations in need arising from differences in the size and character of individual campuses and evens out the current funding distortion between funding for access and retention objectives.

IMPLEMENTATION OF PROPOSED FORMULA

1. Phase-In Conditions

To fully implement the proposed formula will require a phase-in period which staff estimates would take four years at maximum. The phase-in would be required because, in the case of several elements, either gear-up time would be required or technical difficulties would require further staff work. In addition, the redistributive effects of the proposed formula are at present unknown, and time will be required to perform a variety of allocation simulations to determine what the impact would be.

However, staff will recommend that the phase-in begin in FY 1980-81 and that the Board proceed with deliberate additional adjustments every year thereafter, taking time each year to consider the progress made and the impact which the phase-in is having on campus programs. To achieve start-up in FY 1980-81, when not all of the elements can be implemented and without full knowledge of the redistributive impact on individual college programs, means that special conditions must be imposed upon the formula if disruption to field operations is to be avoided. The proposed conditions, to be considered a part of the formula during the phase-in period, are as follows:

a. Using 1979-80 as the base year, no college program would receive an allocation reduction from the formula greater than 15% of its current (1979-80) allocation in FY 1980-81; nor greater than 25% of its current allocation in FY 1981-82; nor greater than 35% in FY 1982-83.

b. Colleges which return to the state treasury more than 5% of the amount allocated in any given year will receive, in any subsequent year, an allocation equal to what the college actually expended, subject to condition number a above.

c. The minimum program allocation for 1980-81 will be $50,000. Minimum allocation size thereafter will be determined after further staff study of alternative options to be presented to the Board. (The $50,000 minimum allocation is currently greater than the smallest allocation in 1979-80).

d. The Special Project Fund in 1980-81 will include an amount, to be determined by the Board at the appropriate time later this fiscal year, to be utilized in the funding of more cost-effective, cooperative recruitment efforts.

2. Phase-In Schedule

(A recommended phase-in schedule reflecting the introduction of specific formula elements will be prepared and included here when the item returns to the Board for action in February.)

Concluding Remarks

The proposed formula was developed by staff over a fourteen-week period between September 17, 1979 and December 12, 1979, and has received the formal endorsement of the Statutory Advisory Committee and the EOPS Regional Coordinators. In addition, leaders of the EOPS Directors Association have discussed the formula with staff, but as yet have not endorsed it. The formula also comports with recommendations made by the Financial Aid Policy Study Group in the first draft report and is expected to comport with that group's final report.

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